

Message Text

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ACTION NEA-09

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FM AMEMBASSY TEL AVIV

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E.O. 11652: GDS

TAGS: PINT, IS

SUBJ: PROPOSED GOVERNMENT LOAN TO POLITICAL PARTIES

1. RECENT PROPOSAL BY LABOR PARTY AND HERUT WING OF LIKUD FOR GOVERNMENT LOAN TO POLITICAL PARTIES TO PAY OFF PAST DEBTS HAS CREATED MINI-UPROAR IN ISRAEL.

2. TO RESOLVE PROBLEM OF LONG-OUTSTANDING DEBTS, THE TWO MAJOR PARTIES, FACING MORE SERIOUS FINANCIAL DIFFICULTIES THAN OTHERS, RECENTLY REQUESTED IL 60 MILLION, 20 YEAR UNLINKED LOAN FROM TREASURY AT FIVE PERCENT INTEREST, AVAILABLE TO ALL PARTIES. IN SUPPORT OF PROPOSAL, THEIR LEADERS HAVE ARGUED THAT IT IS ESSENTIAL TO DEMOCRATIC PROCESS FOR POLITICAL PARTIES NOT TO BE OBLIGATED TO PRIVATE SOURCES TO RESOLVE FINANCIAL DEBTS ACCUMULATED OVER THE YEARS.

3. PUBLIC PROTESTERS OUTSIDE KNESSET FEBRUARY 17 CHARGED THAT PROPOSED LOAN WAS "PLUNDERING" STATE COFFERS AT TIME WHEN PUBLIC WAS BEING URGED TO TIGHTEN BELT. PROPOSAL HAS EVOKED WIDESPREAD CRITICISM IN PRESS AND TV COMMENTARY.

4. SENIOR LABOR PARTY LEADERS HAVE MET OPPOSITION FROM WITHIN PARTY BY INDIVIDUALS WHO FAVOR SELLING LABOR PARTY ASSETS TO PAY OFF LOANS, RATHER THAN SEEKING CONCESSIONARY GOVERNMENT LOAN. PROPOSAL IS ALSO OPPOSED BY MOST GROUPS IN LIKUD
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OTHER THAN HERUT, WHILE NATIONAL RELIGIOUS PARTY IS SPLIT OVER

ISSUE.

5. GOVERNMENT LOAN MUST BE APPROVED BY KNESSET FINANCE COMMITTEE, WHERE MAJORITY SUPPORT AT THE MOMENT IS NOT CERTAIN. LABOR PARTY, LIKUD, AND NRP NOW TRYING TO RESOLVE INTERNAL DIFFERENCES BEFORE BRINGING IT TO KNESSET COMMITTEE. OPPOSITION GROUPS HOWEVER MAY MOVE PROPOSAL FOR FULL KNESSET DEBATE, WHERE IT IS LIKELY TO PROVOKE STORMY SESSION.

6. COMMENT: COLLUSION OF TWO MAJOR PARTIES TO PUSH THROUGH MEASURE TO RESOLVE THEIR FINANCIAL PLIGHTS SEEMS TO US POORLY TIMED. PUBLIC CRITICISM WAS BOUND TO DEVELOP AND BRING INTO QUESTION ERODING MORALITY IN ISRAEL POLITICAL LIFE AT TIME WHEN PUBLIC CONFIDENCE IN POLITICAL LEADERSHIP IS URGENTLY NEEDED. ISREL, AS OTHER DEMOCRATIC COUNTRIES, IS FACED WITH QUESTION OF APPROPRIATE MEASURES TO FINANCE POLITICAL PARTIES, BUT AD-HOC MEASURE AS NOW PROPOSED SEEMS TO CREATE MORE PROBLEMS THAN IT RESOLVES.
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